

Message Text

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ACTION NEA-10

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 3827

AMCONSUL BOMBAY

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E.O. 11652: N/A

TAGS: EAIR, IN

SUBJECT: PAN AM PROBLEMS IN INDIA

REF: STATE 12419, 75 NEW DELHI A-303

SUMMARY: WE HAVE NEGOTIATED SOME IMPROVEMENTS IN PAN AM'S REMITTANCE PROBLEMS BUT THE CHANCES OF FULLY ACHIEVING PAN AM'S GOALS EVEN IN THIS LIMITED AREA ARE NEGLIGIBLE.

WE ARE EXTREMELY CONCERNED, AND HAVE SO TOLD THE GOI, ABOUT THE GROWING PATTERN OF DISCRIMINATION AGAINST FOREIGN AIRLINES IN VIOLATION OF INDIA'S INTERNATIONAL OBLIGATIONS. WE CONTINUE TO PRESS ON THESE ISSUES BUT IN THE ABSENCE OF ANY SIGNIFICANT LEVERAGE CAN ONLY EXPECT MARGINAL GAINS. END SUMMARY.

1. EMBASSY WELCOMES PERKINS' COMMENTS ON EMBASSY WORK ON PAN AM ISSUES. WE HAVE MADE CONSIDERABLE EFFORT TO HELP PAN AM ON SEVERAL FRONTS AND ARE HAPPY TO HEAR WORD OF THIS HAS GOTTEN THROUGH PAN AM CHANNELS.

2. DELHI/NEW YORK SPECIAL EXCURSION FARE WAS RAISED LAST NOVEMBER TO \$865 (\$760 IF TRIP BEGUN IN NEW YORK). IT IS NOW CLOSE TO THE ONE WAY TOURIST CLASS FARE AND THIS HAS PROBABLY REDUCED

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THE LONGSTANDING ABUSE OF THIS SPECIAL RATE STRUCTURE. SINCE AIR

INDIA AND THE GOI (RATHER THAN PAN AM) ARE STRONGLY INTERESTED IN THIS FARE, THE POSSIBILITY OF THREATENING THE CONTINUATION OF THE SPECIAL FARE REMAINS A NEGOTIATING POSSIBILITY. APPARENTLY, HOWEVER, PAN AM DOES NOT NOW WISH TO PURSUE THIS TACTIC.

3. WE ARE PERPLEXED AT PERKINS REQUEST THAT EMBASSY SHOULD "CONCENTRATE ITS EFFORTS" ON REMITTANCE PROBLEMS. THIS HAS LONG BEEN THE PRINCIPAL TARGET OF OUR EFFORTS TO HELP PAN AM, INDEED GOING BACK AT LEAST TWO YEARS. SUBJECT WAS COVERED IN REFERENCE AIRGRAM IN WHICH WE INDICATED WE HAD ALREADY BEGUN DISCUSSIONS WITH MINISTRY OF FINANCE AND RESERVE BANK OF INDIA SEEKING APPROVAL OF REMITTANCE ON A POST-AUDIT BASIS. SUBJECT WAS RAISED IN WRITING WITH MINISTRY OF FINANCE OFFICIALS AGAIN IN LATE SEPTEMBER AND OCTOBER. AFTER FURTHER DISCUSSIONS IN NOVEMBER, EMBASSY CONVEYED WRITTEN PROPOSAL (WHICH HAD BEEN CLEARED BY PAN AM) TO MINISTRY OF FINANCE ON DECEMBER 11 THAT ISSUE BE RESOLVED BY ESTABLISHMENT BY PAN AM OF RS.1 MILLION REVOLVING ACCOUNT. ALL FUNDS ABOVE THIS MINIMUM DEPOSIT WOULD BE FREED FOR IMMEDIATE REMITTANCE SINCE PAST EXPERIENCE SHOWED RS.1 MILLION WOULD MORE THAN COVER POSSIBLE DISALLOWANCES.

4. AS HAS BEEN THE CASE WITH RESPECT TO OUR PAST EFFORTS, MINISTRY OFFICIALS TELL US THEY FAVOR THE LIBERALIZED PROCEDURE BUT THAT RBI MUST MAKE FINAL DECISION ON A MOST-FAVORED AIRLINE BASIS. IN OUR VIEW THE CHANCES OF RBI APPROVAL ARE ONLY SLIGHTLY BETTER THAN ZERO. THE REASONS FOR OUR PESSIMISM ARE ESSENTIALLY BUREAUCRATIC IN NATURE, I.E., THE RBI DOES NOT GIVE UP ANY POWERS IT HAS ON ANY SUBJECT. ALTHOUGH NEITHER WE NOR PAN AM HAD REQUESTED IT, LAST WEEK THE RBI INFORMED PAN AM THAT IT MIGHT IMMEDIATELY REMIT 50 PERCENT OF ITS CURRENT BACKLOG AND THAT IT WOULD BE PERMITTED ULTIMATELY TO REMIT 50 PERCENT OF ITS MONTHLY REQUESTS IN THE FUTURE. WHILE THIS DECISION GIVES PAN AM SIGNIFICANT IMMEDIATE BENEFITS (\$500,000 WAS REMITTED), IT COULD WORK TO PAN AM'S DISADVANTAGE IN THE LONGER RUN IF RBI RELEASE OF THE REMAINING 50 PERCENT IS DELAYED EVEN LONGER THAN HAS BEEN THE CASE IN THE PAST. WE (AND PAN AM) THEREFORE INTEND TO CONTINUE TO PURSUE THE MINIMUM DEPOSIT PROPOSAL.

5. PAN AM HAS BEEN WORKING ON PERMISSION TO IMPORT UNDER DUTY FREE BOND CARGO HANDLING EQUIPMENT FOR 747 CARGO FLIGHTS WHICH IT LIMITED OFFICIAL USE

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EXPECTS TO INITIATE MARCH 1. AS NOTED IN REFERENCE AIRGRAM (ITEM 7 OF PAN AM'S LIST), THIS ISSUE HAS BEEN LONG PENDING FOR PAN AM.

6. A RECENT DEVELOPMENT HAS BEEN THE OFFER BY THE BOARD OF AIRLINE REPRESENTATIVES TO STOP A VARIETY OF ILLEGAL DISCOUNTING PRACTICES WHICH DOMINATE TICKET SALES IN INDIA ON TWO CONDITIONS - FIRST, THAT AIR INDIA ALSO AGREE TO STOP THESE PRACTICES AND THAT THE GOI ENFORCE ITS EXISTING LAWS BARRING SUCH MALPRACTICES, AND, SECOND,

THAT THE GOI RESCIND ITS VARIOUS SCHEMES THAT FAVOR AIR INDIA IN VIOLATION OF ALMOST EVERY CIVIL AVIATION BILATERAL. NO REPLY HAS BEEN RECEIVED FROM THE GOI AS YET AND THE CHANCES OF AIR INDIA AND THE GOI (WHICH LARGELY TEND TO BE COTERMINOUS IN SUCH ISSUES) ACCEPTING THIS PROPOSAL ARE NEAR NIL.

7. TO SUM UP, PAN AM HAS CONCENTRATED ITS EFFORTS IN BREAD AND BUTTER AREAS SUCH AS REMITTANCES. WE HAVE MADE SOME PROGRESS IN THIS AREA AND BELIEVE THAT WE WILL BE ABLE TO SECURE ADDITIONAL CONCESSIONS FROM THE GOI THOUGH WE DO NOT EXPECT THAT WE WILL BE ABLE TO NEGOTIATE ANY FORM OF EFFECTIVE RECIPROCITY. MORE TROUBLING TO US IS CONTINUED AND INCREASING GOI DISCRIMINATION IN VIOLATION OF THE BILATERAL IN ONE AREA AFTER ANOTHER. WE HAVE ALREADY PROTESTED THIS FORMALLY AND HAVE REVIEWED IT WITH DGCA AND THE MINISTRY OF FINANCE. WE ALSO INTEND TO DISCUSS THE SITUATION WITH AIR INDIA. IT CONTINUES TO BE OUR VIEW THAT UNTIL AIR INDIA, WHICH WE UNDERSTAND SUGGESTS MOST OF THE DISCRIMINATORY REGULATIONS SUBSEQUENTLY ISSUED BY THE GOI, BEGINS TO BELIEVE THAT FAILURE TO HONOR THE BILATERAL COULD JEOPARDIZE ITS ACCESS TO NEW YORK, NO SIGNIFICANT IMPROVEMENT CAN BE NEGOTIATED. WE SHALL CONTINUE, HOWEVER, TO KEEP ON THE PRESSURE.

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